QUESTION 1

i.   **Consumption Possibilities Schedule**

Consumptions Possibilities	Coke	Packets of Bean
A	**5**	**0**
B	**4**	**2**
C	**3**	**4**
D	**2**	**6**
E	**1**	**8**
F	**0**	**10**

ii.   **Equation for the budget constraint.**
  $I = P_xQ_X + P_yQ_Y$
  $\$20 = 2X + 4Y$
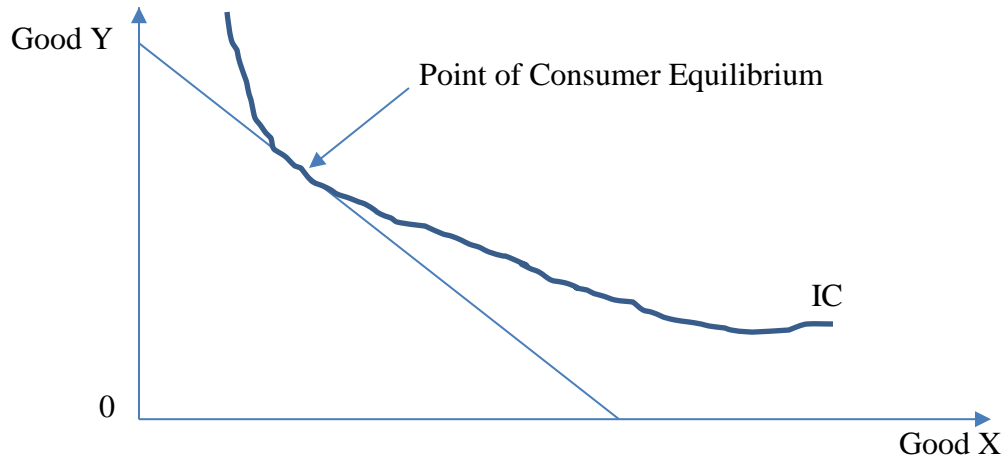
iii.   **Slope of the budget line**
  Slope = P_x/P_y
    = 2/4
    = 0.5

iv.
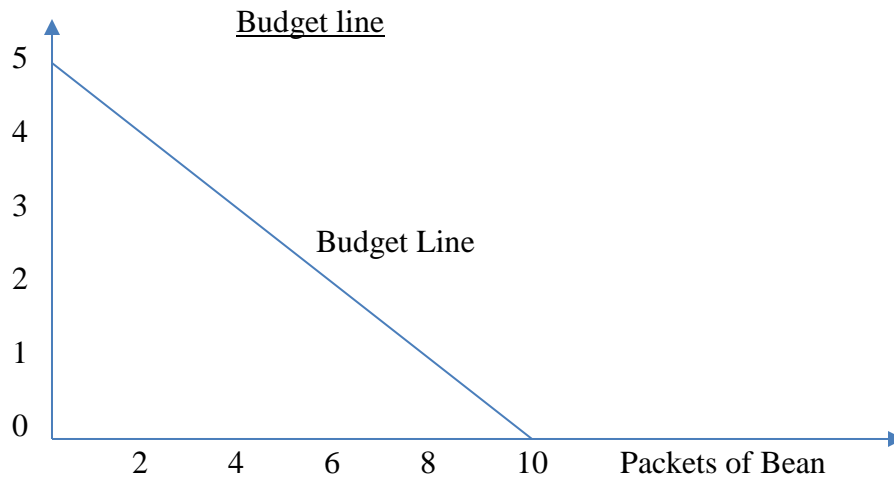
Budget line

v.   Consumer Equilibrium.

vi. **Three conditions for the stable consumer equilibrium.**
1. Budget Line should be Tangent to the Indifference Curve.
2. Slope of the Price Line to be Equal to the Slope of Indifference Curve
3. Indifference Curve should be Convex to the Origin

QUESTION 2

i. PES = $\frac{\{(Q2-Q1) \div [(Q1+Q2) \div 2]\}}{\{(P2-P1) \div [(P1+P2) \div 2]\}}$

PES = $\frac{\{(10-6) \div [(6+10) \div 2]\}}{\{(1.00-0.80) \div [(0.80+1.00) \div 2]\}}$

PES = 0.5/0.22

PES= **2.27**

ii. PES = $\frac{\{(Q2-Q1) \div [(Q1+Q2) \div 2]\}}{\{(P2-P1) \div [(P1+P2) \div 2]\}}$

PES = $\frac{\{(16-18) \div [(18+16) \div 2]\}}{\{(1.20-1.30) \div [(1.30+1.20) \div 2]\}}$

PES = 0.08/0.12

PES= **0.67**

QUESTION 3

i. **Importance**
   1. Contributes to GDP
   2. Creates employment
   3. Improves the standard of living
   4. Development of Infrastructure

ii. **Problems**

1. Influence of western culture
2. Diseases/ Drugs
3. Leakages Effect
4. Depletion of Natural Resources

iii. **Eco-Tourism**
   Ecotourism is now defined as responsible travel to natural areas that conserves the environment, sustains the well-being of the local people, and involves interpretation and education.

iv.
   - The creation of employment at all skills levels.
   - Tourism leads to the development of agricultural sector such as diversification of agricultural output in order to meet the needs of hotels and resorts.
   - Visitors can potentially boost markets for a local agricultural product is through event tourism such as sports events, festivals and conferences.

QUESTION 4

A.

i.   Utility/ Satisfaction

ii.   Because it implies higher consumption and, therefore, increasing levels of utility/ satisfaction.

iii.   An indifference curve shows combinations of goods which gives the same level of satisfaction to the consumers so that an individual is indifferent whereas An indifference map is a combination of indifference curves, which allows understanding how changes in the quantity or the type of goods may change consumption patterns.

iv.

B.

i.   The shape of the indifference curve is usually convex to the origin, sloping from left to right.

ii.   **Features**

     5. Indifference curves slope downward to the right.
     6. Indifference curves are convex to the origin.
     7. Indifference curves cannot intersect each other.
     8. A higher indifference curve represents a higher level of satisfaction than a lower indifference curve.

iii.   10 units of mobile and 12 cars.

THE END